

# **WIC Electronic Benefit Transfer (EBT) System Development, Implementation, and Expansion – 5-year Plan (2003 – 2008)**

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Supplemental Food Programs Division  
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# **WIC Electronic Benefit Transfer (EBT) System Development, Implementation, and Expansion 5-Year Plan (2003-2008)**

***Note:** The 5-Year Plan was developed and issued in January 2003. Considerable progress has been made since that time. The overall goals and objectives of the 2003 Plan remain relatively unchanged. This update provides information on the current status of the Plan's various objectives and reflects a few minor revisions.*

## **WIC EBT Vision**

In line with current trends and the overall public acceptance and growing expectation of doing business and receiving services electronically, the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) will continue its initiatives to successfully migrate from a paper-based food benefit delivery system to an electronic benefits transfer system.

## **WIC EBT Goals**

- Include WIC as an integral part of the national strategy towards modernizing and streamlining business practices through electronic solutions.
- Deliver WIC benefits and reconcile payments through an EBT system that is affordable at the statewide operational level.
- Enhance client services by improving access to prescribed WIC foods and simplifying the retail point-of-sale transaction to reduce stigma and improve shopping convenience.
- Increase accountability and streamline program monitoring for WIC State agencies.
- Make WIC benefit redemption and payments more efficient for retailers.

## **Desired Outcomes for WIC EBT**

The USDA Food and Nutrition Service is committed to maintaining the integrity in nutrition benefit delivery while fostering positive outcomes for WIC stakeholder

groups, including participants, retailers, and WIC State agencies. The following is a list of identified positive outcomes in WIC EBT system solutions:

### **Participant Outcomes**

- Ability to purchase full food benefits within valid period
- Unrestricted number of shopping trips
- Convenient, easy and quick transaction
- Single transaction for all items purchased
- Secure transaction
- Discreet and confidential transactions
- Accurate listing of entitled/remaining benefits prior to and after shopping
- Increased time for nutrition education in clinic
- Improved targeted nutrition education based on redemption patterns

### **Retailer Outcomes**

- Participant purchases only WIC authorized foods
- Ensures foods are not improperly substituted
- Reduces cashier error and need for training
- Secure transaction
- Single transaction for all items purchased
- Timely claims and settlement
- Fast and easy operation
- Numerous activity reports for WIC EBT
- More trips to store by participant equals increased purchases
- Reduces paperwork by eliminating paper food instruments
- National standards for WIC EBT process

### **WIC State Agency Outcomes**

- Ensures participant receives prescribed foods
- Provides data on type and amount of foods purchased
- Allows for accurate rebate billing on infant formula purchased
- Ensures that retailer claims are no more than shelf price
- Secure transaction
- Timely and accurate claims
- Reduces the amount of time and effort spent on retailer compliance activities
- Reduces the amount of time and effort in monitoring and reconciling retailer overcharges
- Reduces forgery and fraud opportunities
- Increases accountability
- Reduces paperwork
- Enables numerous reports on EBT activity to improve administrative efficiencies
- Streamlines clinic operations; increases time for nutrition education

*March 2006 Status:* FNS' vision, goals and desired outcomes for WIC EBT continue to be those outlined in 2003.

## **Overview of WIC EBT Long Term Strategy**

FNS will continue to pursue the expansion of WIC EBT through support and evaluation of current State WIC EBT projects, while testing the feasibility of technical alternatives in line with current trends in commercial retail transaction processing. FNS will remain technology neutral in supporting current and future WIC EBT initiatives. By 2008, FNS hopes to have national model(s) that are technically and financially viable for retail transaction processing for WIC EBT.

### Summary

- ✓ FNS will continue to support WIC State agencies currently planning, developing, implementing, and evaluating EBT systems. EBT system functionality to maintain nutritional integrity for food benefit issuance and redemption and financial sustainability will continue to be FNS' top priorities in the pursuit of a viable WIC EBT system solution.
- ✓ FNS will support the testing and implementation of alternative technologies for WIC EBT in line with current trends in commercial retail transaction processing. Alternative technologies for WIC EBT must maintain the nutritional integrity of WIC food benefit issuance and redemption and be sustainable within available funding.
- ✓ To ensure consistent operating rules from State to State, a national WIC standard for retail electronic transaction processing has been developed for use by retailers. FNS will continue to promote the development and use of WIC EBT technical standards to facilitate nationwide implementation of EBT.
- ✓ FNS will continue to evaluate costs for all projects to identify viable technological solutions and procurement strategies for WIC EBT. FNS will clearly identify other beneficial outcomes related to WIC EBT that improves client services.
- ✓ FNS will take steps to identify and secure additional sources of funding for State WIC EBT initiatives.

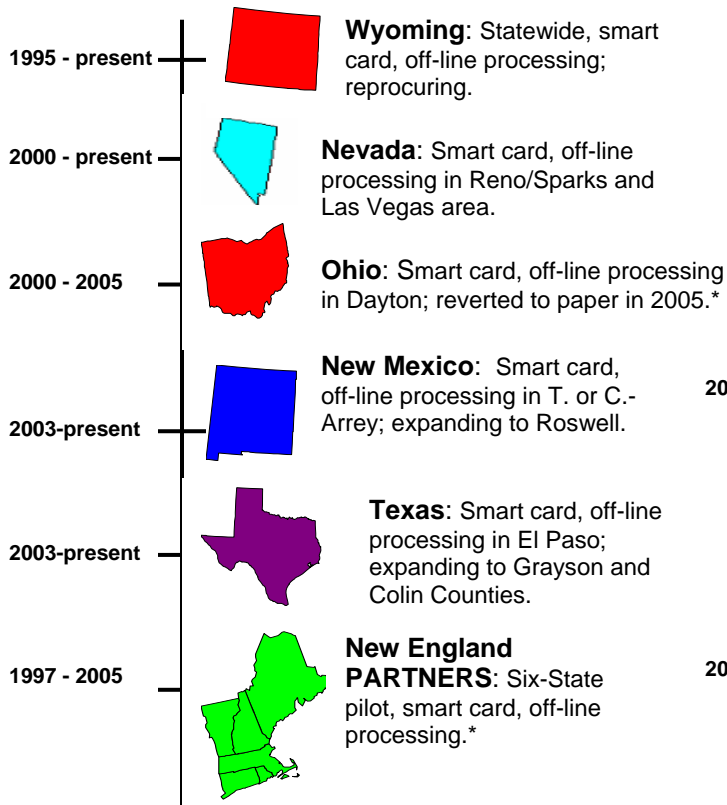
*March 2006 Status:* FNS has no change in the long term strategy for WIC EBT.

Figure 1

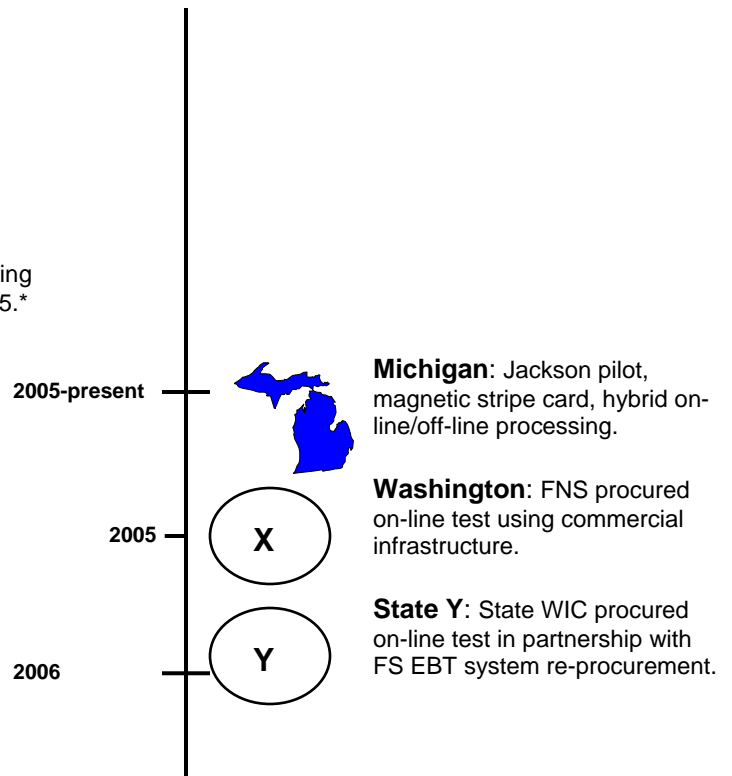
### Strategic Paths -- Status as of March 2006

**2003 – 2008:** FNS will pursue WIC EBT through support of current State WIC EBT projects, while testing the feasibility of technical alternatives in line with current trends in commercial retail transaction processing. FNS will remain technology neutral in supporting current and future WIC EBT initiatives. By 2008, FNS hopes to have technically and financially viable national model(s) for retail transaction processing for WIC EBT.

#### Smart Card/Off-line



#### Magnetic Stripe/On-line



**Track 1** – Continue to support current WIC EBT initiatives. By the end of FY 2008, States currently pursuing EBT will be operational statewide, if feasible.

**Track 2** – Test the viability of alternative technologies including on-line, real time point-of-sale transaction processing in line with commercial debit and credit transactions, and Food Stamp EBT transactions.

\*EBT not affordable in Ohio. New England Partners project cancelled due to concerns about (1) inadequate internal resources; (2) cost-effectiveness of project; and (3) NEP's ability to address stakeholder issues in a timely manner with available resources.

## Objectives for WIC EBT

### Objective 1:

#### Continue Pilots and Demonstration Projects

***Track 1** – As feasible, continue to support current WIC EBT initiatives. By the end of FY 2008, States currently pursuing EBT will be operational statewide.*

FNS will continue to provide EBT grants through an annual competitive grant award process to WIC State agencies that hold promise for statewide viability and system transfer. Annual WIC EBT grants can be used for planning, developing, implementing, evaluating, and expanding EBT systems.

- FNS will continue to fund the current projects at approximately \$4-6 million annually.

March 2006 Status: The attached chart shows the status of projects to date.

- Once an EBT system is operational statewide, State agencies will be responsible for operational EBT costs.

March 2006 Status: Limited funding may impede progress to statewide rollout of EBT for current viable pilots by the target date of 2008. Pilot projects not meeting stated objectives and/or that are not affordable will not be approved for statewide rollout/expansion.

***Track 2** – Test the viability of alternative technologies including on-line, real time point-of-sale transaction processing in line with commercial debit and credit transactions, and Food Stamp EBT transactions.*

FNS will obligate a portion of annual EBT grant funds to test the viability of developing and implementing a fully functional on-line WIC EBT system solution. FNS proposes to pursue procurement approaches to accomplish the test of an on-line, real time WIC EBT system:

- **On-Line Demonstration Project**  
Establish an interagency agreement with the GSA Federal Technology Service Office and compete procurement through GSA for a WIC EBT on-line “proof of principle”. The selected contractor will work closely with

FNS. If proven feasible, the demonstration will be expanded to include the design, development and implementation of a field demonstration of an on-line EBT system to include at least 1 WIC clinic, 300 WIC households, and 2 chains and 1 independent grocery store. In addition, FNS will procure services for an independent evaluation of this on-line test.

*March 2006 Status:* An on-line system was successfully developed and a 6-month field demonstration began in June 2005 in Tacoma, Washington. The pilot was completed in November 2005 and an evaluation was conducted. However, due to the small size of the pilot and limited transaction data, cost was not evaluated. FNS will pursue additional pilots to determine the costs and benefits of on-line technology.

- **WIC/Food Stamp Procurement**

Identify a WIC State agency interested and willing to partner with a Food Stamp EBT system procurement. The WIC State agency will work closely with the Food Stamp Program to develop the RFP, and to specify required functionality and system performance standards for on-line WIC EBT development and implementation. Ideally, the WIC/FS on-line pilot will operate from 6 to 18 months, allowing time for application of the WIC EBT National Evaluation Model. The joint WIC/FS RFP and resulting contract may specify that the WIC EBT on-line system be implemented statewide after a successful pilot evaluation.

*March 2006 Status:* This option has not been exercised due to lack of funding. FNS will pursue this option as funding permits.

- **Michigan On-Line Pilot Project**

The Michigan WIC Program will develop an approach that utilizes on-line technology, while maintaining some off-line functionality.

*March 2006 Status:* System was successfully demonstrated in FY 2005 and pilot test began in Jackson county in June 2005.

*Track 3 (addendum March 2006) – Modify and/or enhance EBT systems to reflect changes in WIC program policy or regulations, technical standards, and/or technological changes.*

Regardless of the method of benefit delivery (on line or off line), EBT systems must be able to respond to programmatic changes, industry standards and technology changes. Therefore, technological solutions using EBT will be utilized to the extent possible to implement these changes, to include food package

changes, particularly the cash value voucher, as recommended by the Institutes of Medicine.

**Objective 2:**

**Support the development of national standards including: a) message and file formats for retail electronic transaction processing; b) national UPC database and the food category coding scheme; c) card/terminal retailer interface; and d) other WIC EBT system component protocols, as appropriate.**

- **Message Formats**

In FY 2002, FNS convened several workshops, which included State, Federal, retailer and industry technical experts, to develop a standard format for WIC EBT transaction processing. As a result of these deliberations, a standard format was developed and implemented among the existing pilot projects.

*March 2006 Status:* Based on the experiences gained from implementation, FNS will work with State agencies and industry representatives to update the standard existing file format to allow for more efficient message handling and remote benefit download messaging.

- **National UPC Database and Food Coding Scheme**

FNS will support the utilization among WIC State agencies of the national standard coding scheme for food categories, and the development and use of a national database of WIC-eligible foods and Universal Product Codes (UPCs). FNS will pursue partnerships with the Food Marketing Institute (FMI), the American National Standards Institute (ANSI), and others to develop and maintain these national standards.

*March 2006 Status:* In FY 2005, FNS was required by law to develop a national UPC database for all State agencies to use. FNS has established a workgroup of State and federal representatives, as well as representatives from food manufacturer and retailer organizations, to define the capabilities of the database. FNS has also met internally to discuss e-gov requirements and other FNS system development issues. Functional design sessions were conducted in October-December 2005. A Request for Proposals will be let in the spring 2006 for system design and development. FNS plans to have an operational system in place by the end of calendar year 2006.

- **WIC Retailer Interface**

FNS, in cooperation with the National WIC Association (NWA), FMI, ANSI, the American Bankers Association (ABA), and (ANSI), has developed and will implement a national WIC standard for retail electronic transaction processing.

*March 2006 Status:* In October 2004, FNS announced the completion of the "WIC Smart Card Interoperability Specification (currently known as the ANSI X9.108 Electronic Benefit Transfer WIC Retailer Interface standard). The WIC Retailer Interface standard provides the framework for a variety of State-issued smartcards to be used for WIC EBT with the full variety of in-store, retailer-owned terminals and cash register equipment and software systems.

- **Other Standards**

FNS will work with FMI, ANSI, and others to pursue additional opportunities to develop standard protocols for electronic message interchange, such as the messages between the EBT card and the EBT card reader.

*March 2006 Status:* FNS is continuing to work on standards for EBT and will identify additional areas where standardization will facilitate EBT implementation nationwide.

### **Objective 3:**

**Develop and implement a WIC EBT system evaluation model designed for use in every State. The evaluation model will assess WIC EBT system performance and analyze costs to assist fair determination of whether State pilot systems should be continued or expanded in order to facilitate WIC's transition from a paper benefit delivery system to nationwide use of EBT.**

Through the success of WIC EBT projects to date, FNS has determined that WIC EBT is technically feasible and that it provides improvements in service to WIC participants, provides a more streamlined benefit redemption process for WIC authorized vendors, and improves accountability for WIC benefits both at the State and retailer levels. It provides excellent accountability of infant formula purchases as a basis for infant formula rebates. However, EBT system costs remain an issue in seeking to expand WIC EBT nationwide.

*March 2006 Status:* In FY 2003 and 2004, FNS and the WIC EBT Users Group (comprised of FNS and State agencies with an interest in WIC EBT) developed and agreed to implement a national WIC EBT system evaluation model to gauge pilot WIC EBT system performance in each State agency, including system cost

and food benefit delivery outcome measures, regardless of the choice of technology utilized for WIC EBT (i.e., off-line/smartcard or on-line/magnetic stripe card). To date, the evaluation model has been used by one State and evaluations are underway in two others. All remaining EBT pilots currently under development plan to use the FNS model. The model will be practical while providing a reasonable and fair basis for State and Federal decisions on whether to continue or expand WIC EBT systems as well as to help determine the scope and pace of WIC EBT system expansion. EBT Project States began using the model in FY 2005.

**Objective 4:**

**Continue to provide Federal leadership by facilitating information sharing within the WIC EBT stakeholder community.**

FNS Headquarters and Regional WIC EBT staff will continue to increase information sharing and transfer of skills among WIC State agencies. FNS will make WIC EBT materials available via the FNS website, including best practices and lessons learned from State WIC EBT system evaluations. Information sharing may also include such initiatives as WIC EBT users group meetings, development and implementation of WIC EBT guidance, EBT system testing, and management/technical consulting. FNS will facilitate information transfer through national conferences as needed in cooperation with the National WIC Association (NWA), the Food Marketing Institute (FMI), the National Automated Clearing House Association (NACHA), the Electronic Funds Transfer Association (EFTA), and other stakeholders in WIC EBT.

*March 2006 Status:* In FY 2004/2005, FNS established an internet list serve for State agencies and FNS to use in sharing information. FNS signed a Blanket Purchase Agreement in FY 2005 to continue to provide EBT technical assistance to State agencies through contracted services. In addition, FNS continues to facilitate information sharing through EBT Users Group Meetings. The Users Group meeting is being planned for El Paso in March 2006. Additionally, FNS staff attended and participated in several meetings in FYs 2005 and 2006 including meetings of the National WIC Association, FMI, NGA, National Automated Clearinghouse Association EBS Council, and EFTA; a meeting of third party processors; a meeting of State and Federal EBT Food Stamp Directors; and Federal acceptance testing in Washington and Michigan.

**Objective 5:**

**Within 5 years (of 2003), establish technical parameters for WIC EBT to allow nationwide implementation.**

FNS will gather information to sufficiently guide the national implementation of WIC EBT through:

- Monitoring and evaluating current smart card/off-line WIC EBT system expansion and operation, while monitoring the impact of food industry trends.
- Testing and evaluating alternative technologies including on-line, real time retail transaction processing utilizing the commercial infrastructure in place for debit, credit, and Food Stamps EBT.
- Keeping current with trends in technology development for the food retail industry and assisting in development and implementation of standards and specifications as they apply to WIC EBT.

*March 2006 Status:* FNS continues to make significant progress in defining technical parameters for WIC EBT. However, pilot projects will need to be fully evaluated prior to nationwide implementation to ensure full functionality and affordability.

**Objective 6:**

**FNS will take steps to identify and secure sources of funding for State WIC EBT initiatives.**

FNS will continue to allocate a portion of the annual multi-purpose funds for State WIC EBT system development. FNS will also continue to pursue new budget authority for WIC EBT development, implementation and evaluation costs.

*March 2006 Status:* No new funding sources have been identified. Limited multi-purpose funding is made available annually in support of current pilots.